CML Group

CML Group Limited (CGR)

ABN: 88 098 952 277 Appendix 4E

Preliminary Final Report *Year ended 30 June 2020*

Financial year ended: 30 June 2020
Previous financial year ended: 30 June 2019

Audit Status: This report is in the process of being audited but is not likely to be the subject of dispute or qualification.

Results for announcement to the market

				$'000s
Revenue from ordinary activities	down	0.3%	to	47,506
Net profit (loss) for the year after tax attributable to members	down	56%	to	3,672

Dividends	Amount per security	Franked amount per security
Final dividend – declared on 7 October 2020 Interim dividend – n/a	1.75 cents -	100% -
Record date for determining entitlements to the final dividend	16 September 2020	
Date for payment of the final dividend	7 October 2020	
Dividend Reinvestment Plan ("DRP") will apply to the final dividend.		

	2020	2019
Net tangible asset backing	Cents	Cents
Net tangible asset backing per ordinary security (per share)	12.36	14.54

Brief explanation of any of the figures reported to enable the figures to be understood;

Commentary:

CML Group Limited reports Underlying NPATA of $8.4m (FY'19: $9.5m)

Statutory NPAT of $3.7m, includes;
i) **Non-cash items of $3.8m**, *$2.4m non-cash goodwill impairment on wind-down of legacy recruitment business, $0.5m amortisation of intangibles and $0.9m provision for future credit losses in the Classic Funding equipment finance portfolio, acquired Nov'19*

ii) **Cash items of $0.9m**, *relating primarily to corporate activity and restructuring, net of any positive impact from Government incentives*

Please refer to FY`20 Results announcement.

For any queries, please contact Daniel Riley on 0411 883 427.

Signed: Daniel Riley, Director
Date: 27th August 2020

CML Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2020

	Note	Consolidated Group 2020 $ 000's	2019 $ 000's
Revenue	2	47,506	47,675
Expenditure			
Agency fees		(1,463)	(1,463)
Allowance for expected credit losses		(1,534)	(1,055)
Depreciation and amortisation expense	10,11,12	(816)	(260)
Amortisation – Customer Relationships	12	(550)	(1,100)
Employee benefits expense (direct employees)		(12,808)	(10,457)
Employee benefits expense (on-hire staff)		(3,965)	(6,964)
Finance costs - corporate		(507)	(468)
Finance costs - product related		(8,918)	(6,804)
Impairment of goodwill – Zenith Management Services Pty Ltd	12	(2,416)	-
Insurance		(2,091)	(1,979)
IT expenses		(1,117)	(605)
Legal expenses		(1,704)	(1,431)
Marketing		(425)	(293)
Rent		-	(726)
Trust expenses		(985)	-
Other expenses		(3,672)	(2,108)
Total expenditure		(42,971)	(35,713)
Profit before Income Tax		4,535	11,962
Income tax expense	5	(863)	(3,562)
Profit for the year from continuing operations		3,672	8,400
Profit attributable to members of the parent entity		3,672	8,400
Other comprehensive income		-	-
Total comprehensive income for the year		3,672	8,400
Earnings per Share:			
Basic earnings per share (cents)	20	1.74	4.19
Diluted earnings per share (cents)	20	1.66	3.99

CML Group

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	Consolidated Group 2020 $ 000's	2019 $ 000's
Current Assets			
Cash and cash equivalents	6	38,197	21,082
Trade receivables – debtor finance	7	167,665	191,573
Trade and other receivables	7	1,136	685
Finance lease receivables	8	10,457	4,809
Other current assets	9	2,834	1,023
Total Current Assets		220,289	219,172
Non-Current Assets			
Finance lease receivables	8	84,611	14,000
Plant and equipment	10	418	399
Right of use assets	11	1,100	-
Deferred tax assets	5	3,034	2,010
Intangible assets	12	26,531	15,567
Total Non-Current Assets		115,694	31,976
Total Assets		335,983	251,148
Current Liabilities			
Trade payables – debtor finance	13	88,745	87,772
Trade payables	13	6,487	3,067
Other current liabilities	14	331	49
Current lease liabilities	15	548	-
Borrowings	16	62,066	68,464
Current tax liabilities	5	890	1,619
Short-term provision - employees	17	649	693
Total Current Liabilities		159,716	161,664
Non-Current Liabilities			
Borrowings	16	121,858	44,505
Long-term provision - employees	17	234	83
Non-current lease liabilities	15	785	-
Other liabilities	14	-	97
Total Non-Current Liabilities		122,877	44,685
Total Liabilities		282,593	206,349
Net Assets		53,390	44,799
Equity			
Issued capital	18	47,727	39,954
Accumulated earnings	19	5,222	4,404
Reserves	19	441	441
Total Equity		53,390	44,799

CML Group

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2020

	Note	Share Capital	Reserves	Accumulated earnings/ (Losses)	Total Equity
		$ 000's	$ 000's	$ 000's	$ 000's
Balance at 1 July 2018		39,787	441	(54)	40,174
Adoption of AASB 9 (net of tax)		-	-	(421)	(421)
Restated balance at 1 July 2018		39,787	441	(475)	39,753
Profit after income tax expense for the year		-	-	8,400	8,400
Total comprehensive income for the year		-	-	8,400	8,400
Transactions with owners in their capacity as owners:					
Contributions of equity	18	167	-	-	167
Dividends provided for or paid	21	-	-	(3,521)	(3,521)
Balance at 30 June 2019		39,954	441	4,404	44,799
Balance at 1 July 2019		39,954	441	4,404	44,799
Adoption of AASB 16	1b	-	-	(35)	(35)
Restated balance at 1 July 2019		39,954	441	4,369	44,764
Profit after income tax expense for the year		-	-	3,672	3,672
Total comprehensive income for the year		-	-	3,672	3,672
Transactions with owners in their capacity as owners:					
Contributions of equity	18	7,773	-	-	7,773
Dividends provided for or paid	21	-	-	(2,819)	(2,819)
Balance at 30 June 2020		47,727	441	5,222	53,390

CML Group

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	Consolidated Group 2020 $ 000's	2019 $ 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		54,032	52,059
Payments to suppliers and employees		(40,018)	(30,837)
Interest received		189	214
Finance costs		(9,079)	(6,934)
Income tax paid		(3,292)	(3,579)
Net cash provided by operating activities	22(b)	1,832	10,923
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(24)	(166)
Payments for IT Development		(80)	-
Proceeds from client receivables		56,553	23,496
Proceeds from / (payment to) equipment lease receivables		19,389	(9,685)
Payment for subsidiary, net of cash acquired	28	(7,669)	-
Net cash provided by investing activities		68,169	13,645
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,773	166
Payment of borrowings	22(c)	(57,607)	(15,809)
Repayment of lease liability		(233)	-
Dividends paid		(2,819)	(3,521)
Net cash used in financing activities		(52,886)	(19,164)
Net increase in cash held		17,115	5,404
Cash at the beginning of the financial year		21,082	15,678
Cash at the end of the financial year	22(a)	38,197	21,082

NOTE 1 Significant accounting policies

These consolidated financial statements and notes represent those of CML Group Limited and controlled entities ("Group"). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. CML Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

(a) Basis of preparation
The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. Except for cash-flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current asset, financial assets and financial liabilities.

(b) New Accounting Standards adopted by the Group
AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  i. investment property, the lessee applies the fair value model in AASB 140 Investment Property to the right-of-use asset; or
  ii. property, plant or equipment, the lessee applies the revaluation model in AASB 116 Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and

- lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (therefore, at 1 July 2019). Accordingly, comparative information has not been restated.

NOTE 1 Significant accounting policies (continued)

(b) New Accounting Standards adopted by the Group (continued)

The Group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $1,406,000 (referred to in these financial statements as “Right of use asset”) and corresponding lease liabilities with an aggregate carrying amount of $1,567,000. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 3.23%.

The overall impact on total equity was a decrease of $35,000 (opening retained profits of $4,369,000 and prior retained period profit of $4,404,000.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (as at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (as at 1 July 2019):

	$000’s
Aggregate non-cancellable operating lease commitments at 30 June 2019	1,992
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	(43)
Less: impact of discounting lease payments to their present value at 1 July 2019	(382)
Carrying amount of lease liabilities recognised at 1 July 2019	1,567

Further details of the Group’s accounting policy for leases, for the year ended 30 June 2020, is in accordance with the policy stated in Note 1 (p) and (s).

Notes to the Financial Statements for the Year Ended 30 June 2020

NOTE 1 Significant accounting policies (continued)

(c) Going Concern
The financial report has been prepared on a going concern basis.

(d) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Parent entity as at 30 June 2020 and the results of all subsidiaries for the year then ended. The Parent entity and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of controlled entities is contained in Note 26 to the financial statement.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

NOTE 1 Significant accounting policies (continued)

(e) Business combinations (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value. Acquisition related costs are expensed as incurred.

(f) Revenue
AASB 15 Revenue from Contracts with Customers
The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Revenue recognition
The consolidated entity recognises revenue as follows:

Other services- Revenue from contracts with customers
Revenue from a contract to provide on-hire service is recognised over time as the on-hired employees work their hours.

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Finance and Equipment Finance
Interest revenue is calculated and charged on the average outstanding loan or lease balance and recognised on an accrual basis using the effective interest rate method, This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government incentive
Government incentive relates to Jobkeeper payment programme announced by Federal Government.

All Australian revenue is stated net of the amount of goods and services tax (GST).

NOTE 1 Significant accounting policies (continued)

(g) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense (income).

The charge of current income tax expense is based on profit for the year adjusted for non-assessable or disallowed items. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.
Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.
Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.
Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 1 Significant accounting policies (continued)

(h) Financial instruments

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the Group's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days. Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost. This is further discussed in the policies stated in Note 1(m) and (n).

Debentures, government bonds and loans to related parties

Debentures, government bonds and loans to related parties are debt instruments, and are classified (and measured) at amortised cost on the basis that:

(a) they are held within a business model whose objective is achieved by the Group holding the financial asset to collect contractual cash flows; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTE 1 Significant accounting policies (continued)

(i) Impairment of financial instruments

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) debt instruments measured at amortised cost;
(b) debt instruments classified at fair value through other comprehensive income; and
(c) receivables from contracts with customers and contract assets.

The Group applies the simplified approach under AASB 9 to determine the allowance for credit losses for trade receivables and finance lease receivables, resulting in the recognition of a lifetime expected loss allowance and credit impaired. Impairment provisions are recognised to reflect expected credit losses because of possible default events that could occur over the expected life of the financial instruments.

To measure the expected credit loss (ECL), the Group applies probability of default (PD) x exposure at default (EAD) x loss given default (LGD). Probability of Default is an estimate of the likelihood of a default.
Loss Given Default is the amount that would be lost in the event of a default. Exposure at Default is expected outstanding balance of the receivables at the point of default.

The resulting impairment provision is calculated PD x EAD x LGD, overlayed to reflect current and forward-looking information affecting the trade receivables and lease receivables.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;
(b) breach of contract;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Balances are written off, either partially or in full, against related allowance when there is no reasonable expectation of recovery. For all balances, write-off takes place only at the completion of collection procedures, or where it no longer becomes economical to continue attempts to recover. Subsequent recovers of amounts previously written off decrease the amount of impairment loses recorded in the income statement.

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1 Significant accounting policies (continued)

(j) Impairment of non-financial assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Intangibles
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trademarks
Trademarks recognised by the Group have an indefinite useful life and are not amortised. The directors believe the useful life is indefinite based on the name acquired being synonymous with the business activity acquired and which is the main business of the Group.

Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 1 (j).

Customer Relationships
Customer relationships is carried at fair value at the date of acquisition less accumulated amortisation. The directors believe the useful life of customer relationships acquired for Cashflow Advantage, 180 Group and 1stCash was 2 years.

NOTE 1 Significant accounting policies (continued)

(k) Intangibles (continued)
Software in relation to IT development:
Software in relation to IT development is carried at cost less accumulated amortisation.

Software in relation to IT development is reported at cost value less GST and is amortised over its estimated useful economic life. The useful life of software varies depending on what the assets are and ranges from 18 months, being 66.67% amortisation, through to 5 years, being 20% amortisation.

(l) Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(m) Trade receivables
Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for expected credit loss is made using simplified approach further outlined in Note 1(i) and Note 7. The amount of the expected credit loss is recognised in comprehensive income within other expenses. When a trade receivable for which allowance for expected credit loss had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in comprehensive income.

(n) Finance lease receivables – as lessor
The Group has recognised loans secured against finance lease equipment. Equipment is owned by the customers and there is no residual or lump sum amounts at the end of the loan agreement. The Group recognises principal and interest receivable over the term of the loan at the beginning of the loan and the principal and interest is amortised according to each loan schedule as scheduled repayments are received. Impairment assessment of financial instruments is in accordance with the policy stated in Note 1(i).

(o) Plant and equipment
Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing balance or straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

NOTE 1 Significant accounting policies (continued)

(o) Plant and equipment (continued)

	Depreciation rate	Depreciation method
Motor vehicles	20-25%	Straight line
Office equipment	20-40%	Straight line and Diminishing value
Leasehold Improvements	20-40%	Straight line
Software	30-40%	Straight line
Low-value Pool	18.75-37.5%	Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(j)).
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(p) Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated amortisation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

(q) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Finance costs
Finance costs are recognised in the period in which they are incurred.

(s) Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

NOTE 1 Significant accounting policies (continued)

(s) Lease liabilities (continued)
Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets
Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(t) Employee benefits
(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

(iii) Share-based payments
Share-based compensation benefits may be provided to directors and employees.
The fair value of shares or options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares/options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(u) Earnings per share
(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity, other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account;

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 1 Significant accounting policies (continued)

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(w) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(x) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191. Accordingly, amounts in the financial statements and directors' report have been rounded off where appropriate to the nearest $1,000, unless otherwise specified.

(y) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group based on applying the expected credit loss model.

Key estimates

(i) Impairment – General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The discounted cash flow method has been used to arrive at the recoverable amount of goodwill in the financial statements. No impairment has been recognised in respect of goodwill at the end of the reporting period as the recoverable amount exceeds the carrying value.

Key judgments

Provision for impairment of receivables

Included in trade receivables at the end of the reporting period is an amount receivable from sales made to a variety of companies during the current financial year amounting to $5,288,000 that is considered to be impaired.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, group based on days overdue, and makes assumptions to allocate an overall expected credit loss for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 7 and 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 1 Significant accounting policies (continued)

(z) Reclassification in Cashflow Statement

Payments to and from debtor finance and equipment finance clients (funds advanced to clients) have been reclassified from operating activities to investing activities within the consolidated statement of cash flows, in order to reflect a more accurate picture of the business activities of the Group.

(aa) Accounting standards issued but not yet effective

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and their impact has not yet been determined.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 2 Revenue

	Consolidated Group 2020 $ 000's	Consolidated Group 2019 $ 000's
Revenue from continuing operations		
Services		
Finance	30,754	35,796
Equipment Finance	11,467	3,393
Other services provided to customers	4,642	8,272
Other revenue		
Government incentive	453	-
Interest received – Other entities	189	214
Total revenue	47,506	47,675

NOTE 3 Expenses

	Consolidated Group 2020 $ 000's	Consolidated Group 2019 $ 000's
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation	816	260
Amortisation – Customer relationships	550	1,100
Finance costs expensed	9,425	7,272
Allowance for expected credit losses	1,534	1,055
Employee superannuation expense	986	739
Leases	303	726

NOTE 4 Segment Information

Identification of reportable segments
The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment;
- The type or class of customer for the products or services; and
- Any external regulatory requirements.

Types of products and services by segment

(i) Finance
Refers to 'factoring' or 'debtor finance' which provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume.

(ii) Equipment Finance
Refers to equipment finance for both new and old equipment. This includes sale-back of owned or partially owned equipment, private sales and mid-term refinancing.

(iii) Other Services
Refers to employment solutions including labour sourcing and project management.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors, being the chief and operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions
There are no Inter-segment transactions.

(c) Segment assets
Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.
Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

(d) Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items
The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense
- Deferred tax assets and liabilities
- Interest costs and interest income
- Depreciation and amortisation

NOTE 4 Segment Information (continued)

	Finance	Equipment Finance	Other services	Corporate	Total
	$'000's	*$'000's*	*$'000's*	*$'000's*	*$'000's*
Year ended 30 June 2020					
Invoice Purchased	*1,709,533*				
Total segment revenue	30,754	11,467	4,642	-	46,863
Adjusted profit/(loss) before income tax	13,958	6,959	547	(1,632)	19,832

	Finance	Equipment Finance	Other services	Corporate	Total
	$'000's	*$'000's*	*$'000's*	*$'000's*	*$'000's*
Year ended 30 June 2019					
Invoice Purchased	*1,578,575*				
Total segment revenue	35,796	3,393	8,272	-	47,461
Adjusted profit/(loss) before income tax	19,361	1,602	1,046	(1,629)	20,380

The Board assesses the performance of the operating segments based on a measure of adjusted profit before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/(losses) on financial instruments. Interest income and expenditure are also not allocated to segments.

A reconciliation of adjusted profit before income tax to operating profit before income tax is provided as follows:

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Adjusted profit before income tax	19,832	20,380
Depreciation and amortisation	(816)	(260)
Amortisation – Customer Relations	(550)	(1,100)
Interest costs	(9,425)	(7,272)
Interest income	189	214
Goodwill Impairment	(2,416)	-
Hardship Provision – COVID19	(1,274)	-
Corporate Activity	(929)	-
Restructuring Costs	(529)	-
Government Incentive	453	-
Operating Profit before income tax from continuing operations	4,535	11,962

NOTE 4 Segment Information (continued)

Segment assets
The nature of the business is such that assets are used across all segments therefore cannot be identified as relating to a specific segment. The net book value of assets is $336M (2019: $251M) per the consolidated statement of financial position. All assets are based in Australia.

Segment liabilities
The nature of the business is such that liabilities cannot be identified as relating to a specific segment. The net value of liabilities is $283M (2019: $206M) per the consolidated statement of financial position.

Major customers
The Group has number of customers to which it provides both products and services. The most significant single external customer accounts for 6.80% of external revenue (2019: 11.81%). The next most significant client accounts for 2.89% (2019: 2.91%) of external revenue. All revenue attributable to external customers was generated in Australia.

NOTE 5 Income Tax Expense

		Consolidated Group	
		2020	2019
		$ 000's	$ 000's
(a)	*The components of tax expense comprise:*		
	Current tax	(2,040)	(3,960)
	Deferred tax	697	21
	Prior year adjustments	481	377
	Income Tax Expense	(863)	(3,562)
(b)	*The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:*		
	Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 30%)	(1,247)	(3,535)
	Add tax effect of:		
	Other (non-allowable)/ deductible items	(97)	350
	Prior year adjustments	481	(377)
	Income tax benefit (expense)	(863)	(3,562)
	The applicable weighted average tax rates are as follows:	19.39%	29.8%
(c)	*Deferred taxation*		
	The balance comprises temporary differences attributable to:		
	Allowance for expected credit losses	2,267	1,229
	Provision for employee entitlements	243	233
	Accrued Expenditure	275	347
	Accrued Income	-	(47)
	Other	249	248
	Total deferred tax assets	3,034	2,010
(d)	Income Tax Payable	890	1,619

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 6 Cash and cash equivalents

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Cash at bank and in hand	38,197	21,082
	38,197	21,082

Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of financial position and statement of cash flow is:

Cash and cash equivalents	38,197	21,082
	38,197	21,082

NOTE 7 Trade receivables

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Trade receivables – debtor finance	172,953	196,770
Less: Allowance for expected credit losses	(5,288)	(5,197)
	167,665	191,573
Trade receivables – other	28	685
Less: Allowance for expected credit losses	-	-
	28	685
Other receivables	1,108	-
Trade and Other receivables	1,136	685
Client Receivables		
Trade receivables – debtor finance	172,953	196,770
Less: Trade payables – debtor finance	(88,745)	(87,772)
Client Receivables	84,208	108,998
Less: Allowance for expected credit losses	(5,288)	(5,197)
Net Client Receivables	78,920	103,801

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 7 Trade receivables (continued)

Trade receivables – Debtor finance
Receivables from Debtor Finance are invoices purchased from clients. These invoices have various payment terms, but majority of the invoices have 30 day terms. On average, invoices are paid within 42 days.

Trade Receivables - Other
A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Invoicing of customers generally occurs on a weekly basis. Outstanding invoices are due for payment within 30 days of the invoice date.

Impairment of receivables from contracts with customers and receivables purchased
The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for trade receivables. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables based on the lifetime expected credit losses of the instrument and credit impaired. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses by applying probability of default (PD) x exposure at default (EAD) x loss given default (LGD) adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. Expected Credit Loss Rate is PD x LGD.

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Opening balance	5,197	5,503
Net remeasurement of allowance	1,675	1,386
Receivables written off during the year as uncollectable	(1,420)	(1,512)
Decrease from origination or acquisition of receivables	(164)	(180)
Closing balance	5,288	5,197

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 7 Trade receivables (continued)

The following table provides information about the risk profile of Trade receivables - debtor finance:

Credit risk profile of receivables from clients

	Expected credit loss rate		Carrying amount		Allowance for ECL	
	2020	2019	2020	2019	2020	2019
	%	%	$	$	$	$
Not overdue	0.0%	0.0%	84,196,981	92,996,333	-	-
Less than 30 days overdue	0.0%	0.0%	52,153,202	65,343,133	-	-
30 - 90 days overdue	0.0%	0.0%	17,804,522	22,132,295	-	-
Over 90 days overdue	6.6%	10.4%	12,718,880	8,385,719	708,414	872,115
Credit Impaired	75.3%	54.7%	6,079,610	7,912,866	4,579,763	4,325,019
			172,953,195	196,770,346	5,288,177	5,197,134

For Debtor Finance division, the Group advances up to 80% of invoices purchased that are less than 90 days past the due date. If the invoices go past 90 days, the invoices are either reassigned back to the client and the funds are clawed back or clients must sell new invoices to the Group. The Group ensures that the invoice purchased from clients have a good spread of debtors and if there is concentration issue, the Group ensures that there is trade credit insurance in place. Generally, the Group sees minimal or no risk in collecting invoices that are less than 90 days old from the due date.

Key risks that the Group is exposed to are fraud and invoice disputes. Invoices that are over 90 days are mainly from clients that have committed a fraud (including mis-banking) or have invoice disputes from end debtors.

The Group also maintains a risk register for individual clients that have issues repaying the advanced funds. The Group performs a stress test of each individual client's circumstances and the stress test amount is recognised as credit impaired in the account.

NOTE 7 Trade receivables (continued)

The following table provides information about the risk profile of Trade receivables - Other:

Credit risk profile of receivables from customers

	Expected credit loss rate		Carrying amount		Allowance for ECL	
	2020	2019	2020	2019	2020	2019
	%	%	$	$	$	$
Not overdue	0.0%	0.0%	27,000	628,000	-	-
Less than 30 days overdue	0.0%	0.0%	-	57,000	-	-
30 - 90 days overdue	0.0%	0.0%	1,000	-	-	-
Over 90 days overdue	0.0%	0.0%	-	-	-	-
Credit Impaired	0.0%	0.0%	-	-	-	-
			28,000	685,000	-	-

Customers in Other division consists of government or government related entities. The Group does not expect any expected credit loss from government related entities. The Group does not have any non-government related entities as at 30 June 2020.

Receivables written off during the year
The gross carrying amount of a receivable balance is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the outstanding balance. The receivable written off remains subject to enforcement action by the Group.

The contractual amount outstanding on receivables that were written off during the year is nil (2019: $106,000).

NOTE 8 Finance Lease receivables

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Current:		
Finance lease receivables	14,586	8,217
Allowance for expected credit losses	(343)	(124)
Unamortised loan brokerage fees	291	257
Unamortised loan transaction fees	(503)	(280)
Unamortised interest receivable	(3,574)	(3,261)
Total Current	10,457	4,809
Non-Current:		
Finance lease receivables	102,471	18,806
Allowance for expected credit losses	(2,611)	(362)
Unamortised loan brokerage fees	598	596
Unamortised loan transaction fees	(4,407)	(572)
Unamortised interest receivable	(11,440)	(4,468)
Total Non-Current	84,611	14,000
Grand Total	95,068	18,809

Impairment of lease receivables

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for lease receivables. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables based on the lifetime expected credit losses of the instrument and credit impaired. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses by applying probability of default (PD) x exposure at default (EAD) x loss given default (LGD) adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. Expected Credit Loss Rate is PD x LGD.

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Opening balance	486	173
Net remeasurement of allowance	(336)	286
Receivables written off during the year as uncollectable	(237)	(157)
Additional provisions recognised	3,041	184
Closing balance	2,954	486

NOTE 8 Finance Lease receivables (continued)

The following table provides information about the risk profile of lease receivables:

Credit risk profile of receivables from customers

	Expected credit loss rate		Carrying amount		Allowance for ECL	
	2020	2019	2020	2019	2020	2019
	%	%	$	$	$	$
Not overdue	0.6%	1.2%	109,715,616	25,890,525	713,139	319,644
Less than 30 days overdue	1.8%	1.3%	451,822	140,241	8,240	1,753
30 - 60 days overdue	6.4%	12.5%	315,025	6,498	20,229	812
60 - 90 days overdue	12.1%	15.0%	62,822	7,321	7,582	1,098
Over 90 days overdue	20.7%	22.5%	387,652	-	80,426	-
Credit Impaired	23%	17%	3,713,684	978,089	850,891	162,955
Hardship	53%	0%	2,411,795	-	1,273,586	-
			117,058,416	27,022,674	2,954,093	486,262

NOTE 9 Other Assets

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
CURRENT:		
Prepayments	2,073	448
Accrued Income	337	157
Advances	17	16
Deposits Paid	407	402
Total	2,834	1,023

NOTE 10 Plant & Equipment

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Leased motor vehicles		
At cost	49	49
Accumulated depreciation	(16)	(6)
	33	43
Software & Office equipment		
At cost	2,290	1,221
Accumulated depreciation	(2,010)	(1,026)
	280	195
Leasehold Improvements		
At cost	534	534
Accumulated depreciation	(434)	(384)
	100	150
Low-value pool		
At cost	13	13
Accumulated depreciation	(8)	(2)
	5	11
Total Plant & Equipment	418	399

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 10 Plant & Equipment (continued)

	Consolidated Group				
2020 Consolidated:	Leased Motor Vehicles	Computer & Office Equipment	Leasehold Improvements	Low-value Pool	Total
	$000's	$000's	$000's	$000's	$000's
Balance at the beginning of the financial year	43	195	150	11	399
Additions	-	22	1	1	24
Acquired on business combination	-	233	-	-	233
Depreciation	(10)	(170)	(51)	(7)	(238)
Carrying amount at the end of the financial year	33	280	100	5	418
2019 Consolidated:					
Balance at the beginning of the financial year	31	227	185	-	443
Additions	49	89	42	13	193
Acquired on business combination	(27)	-	-	-	(27)
Depreciation	(10)	(121)	(77)	(2)	(210)
Carrying amount at the end of the financial year	43	195	150	11	399

Note 11 Right of use asset

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Land and buildings - right-of-use	1,617	-
Less: Accumulated depreciation	(517)	-
	1,100	-

Additions to the right-of-use assets during the year were $0.7m.

The consolidated entity leases land and buildings for its offices under agreements of between four to six years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The consolidated entity leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

NOTE 12 Intangible Assets	Note	Consolidated Group 2020 $ 000's	2019 $ 000's
Goodwill:			
Opening net book balance		12,890	14,540
Acquired on business combination	28	13,911	-
Impairment of goodwill - Zenith Management Services Pty Ltd		(2,416)	-
Adjustment to prior year acquisition during the measurement period		-	(1,650)
Net book value		24,385	12,890
Trademarks:			
Opening net book balance		2,125	2,125
Net book value		2,125	2,125
Customer Relationships:			
Opening balance		550	-
Adjustment to prior year acquisition during the measurement period		-	1,650
Amortisation		(550)	(1,100)
Net book value		-	550
Software Development:			
Opening net book balance		2	52
Capitalised during the year		80	-
Amortisation		(61)	(50)
Net book value		21	2
Total		26,531	15,567

Intangible assets have been tested for impairment at 30 June 2020 resulting in $2,416,000 impairment loss (2019: $nil). Intangible assets, other than goodwill and trademarks, have finite useful lives ranging from 18 months to 5 years. Amortisation is calculated according to the estimated remaining economic useful life of the asset.

Goodwill and trademarks have an indefinite life.

Goodwill, customer relationships and trademarks are comprised of:

- The acquisition of Zenith Management Services Pty Ltd in Financial Year 2010 with goodwill amounting to $2,416,000 has been written off in Financial Year 2020.
- The acquisition of an independent contractors Agreement from Lex Brown with goodwill amounting to $175,000;
- The acquisition of Cash Flow Finance Australia Pty Ltd in Financial Year 2015 with trademark amounting to $2,125,000;
- The acquisition of Cashflow Advantage Pty Ltd in Financial Year 2016 with goodwill amounting to $2,727,000 less $700,000 customer relationships identified from PPA exercise;
- The acquisition of 180 Group Pty Ltd in Financial Year 2016 with goodwill amounting to $6,334,000 less $1,700,000 customer relationships identified from PPA exercise;
- The acquisition of 1st Cash Pty Ltd in Financial Year 2018 amounted to goodwill of $3,638,000 ($5,288,000 less $1,650,000 customer relationships identified from PPA exercise); and
- The acquisition of Classic Funding Group in Financial Year 2020 amounted to goodwill of $13,911,000 (preliminary accounting).

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 12 Intangible Assets (continued)

(a) **Impairment tests for goodwill and trademark**

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated Group 2020 $ 000's	2019 $ 000's
Invoice Finance	15,381	12,599
Equipment Finance	11,129	-
Other	-	2,416
	26,510	15,015

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for all divisions:

● 8.0% (2019: 7.8%) discount rate;
● 2.5% (2019: 2.5%) per annum projected EBITDA growth rate
● 2.5% (2019: 2.5%) per annum terminal EBITDA growth rate;

The discount rate of 8.0% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Group, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the projected 2.5% EBITDA growth rate is prudent and conservative based on historical growth rates.

(b) **Impairment Charge**
Intangible assets have been tested for impairment at 30 June 2020 resulting impairment of goodwill in Zenith Management Services Pty Ltd of $2.4m. Recoverable amount for Other division unit was nil because Zenith Management Services Pty Ltd lost the tender to renew a major contract with a government department. With the impairment of Zenith Management Services Pty Ltd, there is no carrying amount allocated to Other division unit. No other indicators of impairment were identified for finite life intangible assets.

(c) **Impact of possible changes in key assumptions**
If there was no budgeted growth rate, the Group would have not recognised an impairment of goodwill. If the estimated cost of capital used in determining the discount rate for goodwill and trademarks had been 12% higher than managements' estimates of 8%, the Group would not have to recognise an impairment of goodwill and trademark.

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 13 Trade and Other Payables

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Trade payables		
CURRENT:		
Unsecured liabilities		
Trade payables – Debtor finance	88,745	87,772
Total	88,745	87,772
Trade payables	2,768	1,380
Sundry payables and accrued expenses	3,719	1,687
Total	6,487	3,067
Grand Total	95,232	90,839

NOTE 14 Other Liabilities

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
CURRENT:		
Unsecured liabilities	331	22
Lease Incentive Liability	-	27
	331	49
NON-CURRENT:		
Lease Incentive Liability	-	97
	-	97

NOTE 15 Lease liabilities

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
CURRENT:		
Lease liability	548	-
	548	-
NON-CURRENT:		
Lease liability	785	-
	785	-

Non-cancellable operating leases
The property lease at Brisbane expires on 31 October 2022. It is a 6 years lease with rent payable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 3.5% per annum.

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 15 Lease liabilities (continued)

The property lease at North Sydney expires on 31 December 2022. It is a 5 years lease with rent payable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 4% per annum.

The property lease at Melbourne expires on 30 May 2021. It is a 3 years lease with rent repayable monthly in advance. Rental provisions with the lease agreement require the minimum lease payments shall increase by 3.5% per annum.

NOTE 16 Borrowings

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
CURRENT:		
Unsecured		
Unsecured Loans – Insurance (b)	1,618	33
	1,618	33
Secured		
Overdraft facility (c)	463	-
Receivables Financing Facility – Bank (a)	34,882	68,431
Senior Secured Corporate Bond (e)	25,103	-
	60,448	68,431
Total Current	62,066	68,464
NON-CURRENT:		
Unsecured		
Unsecured Corporate Bond (d)	19,749	19,630
Receivables Financing Facility – Non-Bank (f)	16,627	-
	36,376	19,630
Secured		
Securitised warehouse facility (c)	85,482	-
Senior Secured Corporate Bond (e)	-	24,875
Total Non-Current	121,858	44,505
Total	183,924	112,969

(a) Receivable Financing Facility - Bank
In April 2020, CML Group entered into $60m drawdown facility with an institutional bank at an average 4.0% interest rate. The facility is reviewed annually. The used portion of the facility amounted to $34.9m and unused portion of $25.1m at 30 June 2020.

(b) Unsecured Loans – Insurance
In June 2020, CML Group entered into $1.8m insurance premium funding arrangement. The arrangement has fixed interest rate of 1.45% p.a. payable monthly in arrears to May 2021.

(c) Overdraft and Securitised Warehouse Facilities
In November 2019, CML acquired overdraft and securitised warehouse facilities with an institutional bank through the acquisition of Classic Funding Group. The overdraft facility has limit of $4m of which $0.5m was used as at 30 June 2020. The warehouse facilities have a limit of $133.3m for equipment finance and $46.7m for receivable finance. Combined facilities have an average interest rate of 4.30%. The facilities are reviewed annually. The used portion of the facilities amounted to $75m for equipment finance and $10m for receivable finance as at 30 June 2020.

NOTE 16 Borrowings (continued)

(d) Unsecured Corporate Bond
In May 2018, CML Group raised $20m by issuing an unsecured Corporate Bond. The Unsecured Corporate Bond has fixed interest rate of 7.95% p.a. payable quarterly in arrears. The Bond has a maturity date of 30 May 2022.

(e) Secured Corporate Bond
In May 2015, CML Group raised $25.0m by issuing a Senior Secured Corporate Bond at a floating coupon rate of 5.4% per annum plus the 30-day Bank Bill Swap Rate, payable monthly in arrears to May 2020. From May 2020, the rate increased to 7.0% per annum plus the 30-day Bank Bill Swap Rate, payable monthly in arrears to May 2021.

(f) Receivables Financing Facility – Non-Bank
In October 2019, CML Group entered into $20.6m receivables financing facility with a non-bank entity at an average 7.6% interest rate, payable monthly in arrears and has a maturity date of 23 August 2024.

Risk exposure
Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 23.

NOTE 17 Provision for employee benefits	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
CURRENT:		
Employee benefits	649	693
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:		
Balance at the beginning of the financial year	693	538
(Decrease)/Increase in provision	(44)	155
Balance at end of the financial year	649	693
NON-CURRENT:		
Employee benefits	234	83
Reconciliation of movement in the liability is recognised in the statement of financial position as follows:		
Balance at the beginning of the financial year	83	67
Increase in provision	151	16
Balance at end of the financial year	234	83

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(t) of the financial statements.

NOTE 18 Contributed Equity		Consolidated Group	
	Date	No.	$ 000's
Balance at beginning of financial year	01 Jul 18	201,041,948	39,787
Shares issued or under issue during the year:			
Share issue from Dividend Reinvestment Plan	05 Oct 18	203,931	105
Share issue from Dividend Reinvestment Plan	11 Apr 19	133,109	62
Balance at end of financial year	30 Jun 19	201,378,988	39,954
Balance at beginning of financial year	01 Jul 19	201,378,988	39,954
Shares issued or under issue during the year:			
Ordinary shares @ 48 cents from Rights issue	08 Oct 19	15,831,764	7,599
Share issue from Dividend Reinvestment Plan	05 Dec 19	361,305	174
Balance at end of financial year	30 Jun 20	217,572,057	47,727

Capital risk management

The Group and the parent entity's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt and capital includes ordinary share capital, corporate bonds and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements. This strategy is to ensure that the Group's gearing ratio remains under 90%. The gearing ratios for the year ended 30 June 2020 and 30 June 2019 are as follows:

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Gearing Ratios		
Total borrowings	183,924	112,969
Less: Cash and cash equivalents	(38,197)	(21,082)
Net debt	145,727	91,887
Total equity	53,419	44,799
Total capital	199,146	136,686
Gearing ratio	73.18%	67.23%

NOTE 19 Reserves and Accumulated Earnings

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Reserves and Accumulated Earnings		
Accumulated earnings	5,222	4,404
General Reserves	441	441
	5,663	4,845
Accumulated Earnings/ (Losses)		
Balance at the beginning of year	4,404	(54)
Adoption of AASB 9	-	(421)
Adoption of AASB 16	(35)	-
Net profit attributable to members of *CML Group Pty Ltd*	3,672	8,400
Total available for appropriation	8,070	7,925
Dividends paid	(2,819)	(3,521)
Balance at end of year	5,222	4,404

NOTE 20 Earnings per share

	Consolidated Group	
	2020 Cents per Share	2019 Cents per Share
Basic earnings per share	1.74	4.19
Diluted earnings per share	1.66	3.99

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Consolidated Group	
	2020	2019
	$000's	$000's
Earnings (i)		
Continuing operations	3,672	8,400
Continuing and discontinued operations	3,672	8,400
Earnings used in calculating of dilutive EPS	3,672	8,400
	No.	No.
Weighted average number of ordinary shares	211,215,955	200,669,500
Weighted average number of dilutive options on issue	10,000,000	10,000,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	221,215,955	210,669,500

(i) Earnings used in the calculation of basic earnings per share are net profit after tax.

NOTE 21 Dividends

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Fully Franked Declared Final Dividend – 1.75 cents (2019: 1.40 cents)	3,808	2,819
Fully Franked Paid Interim Dividend – n/a (2019: 1.00 cents)	-	2,013
Total	3,808	4,832
Franking Credits	8,265	5,998

The above amounts represent the balance of the franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from the payment of dividends recognised as a liability at the reporting date.

NOTE 22 Cash flow information

		Consolidated Group	
		2020	2019
(a)	*Reconciliation of cash*	$ 000's	$ 000's
	For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:		
	Cash and cash equivalents	38,197	21,082
		38,197	21,082
(b)	Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
	Profit from ordinary activities after related income tax	3,701	8,400
	Depreciation and amortisation of non-current assets	1,366	1,360
	Impairment of goodwill - Zenith	2,416	-
	Changes in assets and liability, net of effect of purchases of subsidiaries;		
	Decrease/(increase) in receivables	612	(116)
	(Increase)/decrease in other current assets	(1,671)	1,281
	Increase in deferred tax assets	(372)	(22)
	(Decrease)/Increase in provisions	(379)	180
	Decrease in trade and other payables	(2,384)	(467)
	Increase/(decrease) in other liabilities	283	(36)
	Increase in borrowings	346	339
	(Decrease)/ increase in Income tax payable	(2,086)	4
	Net cash from operating activities	1,832	10,923

(c) Changes in liabilities arising from financing activities

	2019	Non-cash changes Financing cash flows	2020
	$ 000's	$ 000's	$ 000's
Receivables Financing Facility	68,431	(33,549)	34,882
Unsecured Loans	33	1,585	1,618
Senior Secured Bond	25,103	-	25,103
Unsecured corporate Bond	19,749	-	19,749
Receivables Financing Facility - Non-Bank	-	16,627	16,627
Securitised warehouse facility	128,214	(42,269)	85,945
	241,530	(57,606)	183,924

NOTE 23 Financial Risk Management

The Risk Committee has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The risk management committee monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk.

The Group's overall risk management strategy is to ensure that financial targets are met, while minimising potential adverse effects on financial performance relating to current and future cash flow requirements.

The Group's financial instruments consist mainly of deposit with banks, accounts receivable, investments, and trade and other payables and borrowings.

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
The total for each category of financial instruments, excluding assets held for sale, measured in accordance with accounting policies to these financial statements, are as follows:		
Financial Assets		
Cash and cash equivalents	38,197	21,082
Trade and other receivables	168,801	192,258
Finance lease receivables	95,068	18,809
Other current assets	407	402
	302,473	232,551
Financial liabilities		
Trade and other payables	95,232	90,839
Borrowings - variable	162,305	93,306
Borrowings - fixed	21,618	19,663
Lease liabilities	1,333	-
	280,488	203,808

(a) Market risk
Cash flow and fair value interest rate risk
The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

All of the Group's debts are on floating rate basis except Unsecured Corporate Bond and Unsecured Loan - Insurance which have fixed rates. The Group's debts are primarily used for finance division and equipment finance division. Interest rate risk for equipment finance division is mitigated through interest swaps and interest rate risk for the finance division can be mitigated by passing on the increase in interest rate to the customers.

NOTE 23 Financial Risk Management (continued)

Sensitivity Analysis
The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the interest rate that management considers to be reasonably possible. These sensitivities assume that the movement in interest rate is independent of other variables.

	Consolidated Group	
Sensitivity Analysis	2020	2019
	$000's	$000's
Financial Assets		
Cash and cash equivalents	38,197	21,082
Financial liabilities		
Borrowings - variable	(162,305)	(93,306)
Net	(124,108)	(72,224)
+/- 2% in interest rate		
Equity	+/- 1,738	+/- 1,011
Profit	+/- 2,482	+/- 1,444

For assets and liabilities, the net fair value approximates their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

(b) Credit risk
Credit risk arises predominantly from receivables from customers and also from cash and cash equivalents, and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted. If customers are independently rated, these ratings are used. If there is no independent rating for customers, the Group's risk controls assess the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management.

NOTE 23 Financial Risk Management (continued)

(b) Credit risk (continued)
The maximum exposure to credit risk at the reporting date, excluding any amounts recoverable under the Group's credit insurance, which is not able to be reliably estimated, is the carrying amount of the financial assets summarised in the following table. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparties default rates.

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Trade receivables		
Counterparties with external credit rating (Moody's)		
AAA Federal government departments and instrumentalities	3,736	7,327
Counterparties without external credit rating	260,133	209,424
Total trade receivables	263,869	216,751
Cash at bank and short-term bank deposits		
AA-	38,197	21,082

To further minimise the credit risk for outstanding receivables from customers, the Group ensures that:

- 50% of ledger purchased from new customers are checked and validated with the end debtors.
- 20% of new invoices purchased from existing customers are checked and validated with the end debtors.
- Collections team chase overdue invoices to make sure invoices are paid on time.

60% of receivables in Invoice Finance division have trade credit insurance in place. Trade credit insurance will pay 90% of the receivable value when it is claimed.

NOTE 23 Financial Risk Management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational and financing activities;
- Ensuring that adequate capital raising activities are undertaken;
- Maintaining a reputable credit profile; and
- Investing surplus cash only with major financial institutions.

Please refer to Note 16 for more details on borrowings.

The following tables reflect undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments:

	Weighted average interest rate	0 to 12 Months $ 000's	1 to 5 years $ 000's	More than 5 years $ 000's	Carrying value $ 000's
As at 30 June 2020					
Trade and other payables	N/A	95,232	-	-	95,232
Borrowings	5.24%	62,066	121,858	-	183,924
Lease Liabilities		548	785		1,333
Total financial liabilities		157,846	122,643	-	280,489

		0 to 12 Months $ 000's	1 to 5 years $ 000's	More than 5 years $ 000's	Carrying value $ 000's
As at 30 June 2019					
Trade and other payables	N/A	90,839	-	-	90,839
Borrowings	6.38%	68,464	44,505	-	112,969
Total financial liabilities		159,303	44,505	-	203,808

Fair value estimation

The carrying amounts of trade receivables, payables and current borrowings are assumed to approximate their fair values due to their short-term nature. The fair value of non-current borrowings approximates the carrying amount, as the impact of any discounting is not significant.

NOTE 24 Contingent liabilities

There are 3 rental guarantees of $263,000 relating to the property at Miller Street, Queen Street and Plummer Street. The guarantee amount is payable if lease terms regarding the property are broken.

NOTE 25 Commitments

(a) Lease commitments – the Group as lessee

Commitments in relation to operating leases are payable as follows:

	Consolidated Group	
	2020	2019
	$ 000's	$ 000's
Non-cancellable operating leases contracted but not capitalised in the financial statements		
- Payable not later than one year	125	657
- Longer than 1 year and not longer than 5 years	18	1,335
	143	1,992

NOTE 26 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(d).

	Country of Incorporation	2020 %	2019 %
Ultimate Parent Entity			
CML Group Limited	Australia		
Controlled Entities			
CMLPayroll Pty Limited	Australia	100%	100%
Zenith Management Services Group Pty Limited	Australia	100%	100%
Lester Payroll Services Pty Limited	Australia	100%	100%
Lester Associates Good Migration Pty Limited	Australia	100%	100%
Lester Associates Business Services Pty Limited	Australia	100%	100%
LesterPlus Pty Limited	Australia	100%	100%
Cashflow Finance Australia Pty Limited	Australia	100%	100%
Cashflow Advantage Pty Limited	Australia	100%	100%
180 Group Pty Limited	Australia	100%	100%
180 Capital Funding Pty Limited	Australia	100%	100%
1st Cash Pty Limited	Australia	100%	100%
Classic Funding Group Pty Ltd	Australia	100%	-
Classic Cash Flow Solutions Pty Ltd	Australia	100%	-
Classic Clean Energy Finance Pty Ltd	Australia	100%	-
Classic Finance Pty Ltd	Australia	100%	-
The Leasing Centre Pty Ltd	Australia	100%	-
CF Management Services Pty Ltd	Australia	100%	-
Classic Receivable Finance Trust	Australia	100%	-
Classic Equipment Finance Trust	Australia	100%	-

NOTE 26 Subsidiaries (continued)

Deed of Cross Guarantee

A deed of cross guarantee between CMLPayroll Pty Ltd and CML Group Limited was entered into during the 2015 financial year. Cashflow Finance Australia Pty Limited also entered the closed group during 2019 financial year.

A relief was obtained from preparing financial statements for CMLPayroll Pty Ltd and Cashflow Finance Australia Pty Limited under ASIC Class Order 2016/785. Under the deed, CML Group Limited, CML Payroll Pty Ltd and Cashflow Finance Australia Pty Limited guarantee the debts of each other and are the members of the closed group. CML Group Limited, CMLPayroll Pty Ltd and Cashflow Finance Australia Pty Limited are the only parties to the deed of cross guarantee. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the closed group is set out below:

		Closed Group	
		2020 $000's	2019 $000's
Financial information in relation to:			
(i)	Statement of profit or loss and other comprehensive income:		
	Profit/ (loss) before income tax	2,929	11,103
	Income tax (expense)/ credit	(406)	(3,304)
	Profit/ (loss) after income tax	2,523	7,799
	Profit/ (loss) attributable to members of the parent entity	2,523	7,799
(ii)	Statement of financial position:		
	CURRENT ASSETS		
	Cash and cash equivalents	27,935	14,930
	Trade and other receivables	127,777	197,489
	Other current assets	13,503	927
	TOTAL CURRENT ASSETS	169,215	213,346
	NON-CURRENT ASSETS		
	Property, plant and equipment	269	394
	Intangible assets	26,126	18,426
	Deferred tax assets	2,711	2,010
	TOTAL NON-CURRENT ASSETS	29,106	20,830
	TOTAL ASSETS	198,321	234,176
	CURRENT LIABILITIES		
	Trade and other payables	61,189	90,766
	Tax liabilities	758	1,619
	Borrowings	61,603	68,464
	Other liabilities	331	49
	Lease liability	548	-
	Short-term provisions	564	688
	TOTAL CURRENT LIABILITIES	124,993	161,586

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 26 Subsidiaries (continued)

	Closed Group	
	2020	2019
	$000's	$000's
NON-CURRENT LIABILITIES		
Long-term borrowings	36,375	44,505
Long-term provisions	119	83
Lease liability	786	-
Other liabilities	-	98
TOTAL NON-CURRENT LIABILITIES	37,280	44,686
TOTAL LIABILITIES	162,273	206,272
NET ASSETS	36,048	27,904
EQUITY		
Issued capital	47,726	39,952
Reserves	441	441
Retained earnings/(accumulated losses)	(12,119)	(12,489)
	36,048	27,904

NOTE 27 Parent Entity Disclosures

	Consolidated Group	
	2020	2019
The individual financial statements for the parent entity show the following aggregate amounts:	$ 000's	$ 000's
Statement of Financial Position		
Current assets	26,401	5,872
Non-current assets	93,991	127,045
Total assets	120,392	132,917
Current liabilities	64,430	71,060
Non-current liabilities	36,842	44,544
Total liabilities	101,272	115,604
Net Assets	19,120	17,313
Shareholders' equity		
Contributed equity	47,726	39,950
Retained losses	(28,606)	(22,637)
Total equity	19,120	17,313
Net Loss for the year after tax	(5,969)	(5,539)
Total Comprehensive Loss	(5,969)	(5,539)

The Parent Entity, Cashflow Finance Pty Limited and CMLPayroll Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

NOTE 28 Business Combinations

On 1 November 2019, CML Group Limited acquired 100% of the ordinary shares of Classic Funding Group Pty Ltd ("CFG") for the total consideration of $10.69m, which includes Goodwill, plus loan book funding of circa $128m.

The acquisition has accelerated CML's strategy to gain market share in Invoice Discounting and Equipment Finance. The acquisition has increased CML's Invoice Discounting and Equipment Finance Funds Advanced by ~5x. The addition of CFG's client base and experienced staff brings forward CML's strategy to build volume in Invoice Discounting and improved funding structure within the CFG Equipment Finance division and brings forward CML's plan to transition to significantly cheaper funding for its Equipment Finance product.

	Note	Fair Value
		$000's
Cash and cash equivalents		3,331
Trade receivables – debtor finance		57,886
Trade and other receivables		95
Finance lease receivables		99,309
Unamortised interest receivable		(3,329)
Property, plant & equipment		233
Other assets		554
Trade payables – debtor finance		(27,476)
Trade payables		(2,954)
Borrowings (to fund trade and finance lease receivables)		(128,214)
Employee liabilities		(427)
Other Liabilities		(2,271)
Net tangible liabilities assumed		(3,263)
Goodwill / other identifiable assets to be allocated prior to the completion of acquisition accounting	12	13,911
Total purchase consideration		10,648
Representing:		
Cash paid to vendor		11,000
Receivable from Vendor		(352)
Total purchase consideration		10,648
Acquisition costs expensed to profit and loss		44
Net consideration used		10,692

The fair value of trade receivables is $153,961.

Notes to the Financial Statements for the year ended 30 June 2020

NOTE 28 Business Combinations (continued)

The acquired business contributed revenue of $8.99m and profit after tax of $0.31m for the period from 1 November 2019 to 30 June 2020. If the acquisition occurred on 1 July 2019 the full year contributions would have been revenues of $14.3m and loss after tax of $0.39m.

Initial purchase consideration for Classic Funding Group was $11.0m including Goodwill. However, due to adjustments identified post acquisition, total purchase consideration has been decreased to $10.6m. There is $1.1m held in CML's solicitor's trust account and once the vendor agrees with the adjustments identified, the variance amount will be refunded to CML.

Due to the timing of the acquisitions, provisional amounts have been used in accounting for the business combinations. Provisional amounts recognised will be adjusted retrospectively during the measurement period which will end as soon as possible and not more than one year from the acquisition date, the maximum allowed under the standard. Goodwill is not expected to be deductible tax purpose.